

**Audit Committee  
Meeting Minutes  
January 11, 2013**

The Bethany Beach Audit Committee held a meeting on Friday, January 11, 2013 at 11:00 a.m. in the Town Meeting Room.

Members present: Patrick Sheplee, Chairman, who presided; Monte Wisbrock, and Thomas Defibaugh.

Also present: Finance Director, Janet Connery; Internal Auditor, Philip Rossi; Mayor Tony McClenny; Council persons, Jerry Dorfman, Jack Gordon, Joseph Healy, Lew Killmer and Margaret Young; Administrative Secretary, Lindsey Good; and other interested members of the public.

Mr. Sheplee called the meeting to order at 11:00 a.m.

Approval of Agenda

Mr. Defibaugh made a motion to approve the agenda. Seconded by Mr. Wisbrock, the motion was unanimously approved.

Approval of Minutes from the July 13, 2012 Meeting

After a couple of amendments, Mr. Wisbrock made a motion to approve the minutes dated July 13, 2012. Mr. Defibaugh seconded the motion and it was unanimously approved.

Report from Internal Auditor

Mr. Rossi reported the following routine check that he completes, which is included in the Internal Audit Report:

- Opening and reviewing monthly bank statements.
- Examining the monthly list of checks issued.
- Questioning the purpose of thirty (30) to forty (40) of those payments.
- Selecting a few invoices each month for a more complete review, including viewing the invoice and other documentation for proper authorization.
- Occasionally asking to view the actual item purchases.
- Considering if procedures were properly followed.

Mr. Rossi emphasized that he does as much as he can to be involved with the Town's financial procedure. He explained that there were two instances where he questioned Town employees on details of specific situations.

Mr. Rossi referenced Page 3 of his report, and mentioned that in November he noticed that the Police Department was replacing their handguns and he questioned the Police Chief about what happens with the old fire arms. He reviewed with the Chief of Police, Michael Redmon, the steps concerning this account and they were also in accordance with prescribed procedures. He was also told that the Town's police officers are given the opportunity to purchase the weapons from

the Town at a price determined by the gun dealer that is selling the Town the replacement weapons. Any weapons that are not purchased by police officers are taken by the gun dealer, whom will handle the paperwork related to transfer of the firearm and any permit requirements. Mr. Rossi stated that he plans to revisit this transaction in February once it is complete to ensure that all is in order.

Mr. Sheplee questioned how many weapons the Police Department possesses. Mr. Rossi replied that there are ten (10) firearms kept by the Police Department, and they are traded for new weapons about every ten (10) years.

Mr. Killmer questioned if the purchase of weapons is funded by grants. Ms. Connery explained that a grant is received for firearms for the Police Department.

Mr. Rossi explained that he is going to be involved with the Police Department's weapon trade process in February.

Mr. Rossi referenced Page 4 of the Audit Report, and how he noted he had a conversation with the Building Inspector, Susan Frederick, and she mentioned that she would benefit from a more automated building permit system. The Committee ensued a discussion on whether they should become involved in encouraging Ms. Frederick to research computer programs to find one of her preference that would be beneficial to both her and the Town.

Mr. Sheplee asked that it be noted in the minutes that in regards to the Internal Audit Report, the Building Inspector should complete the process of completing the necessary computer form and submit it to the Town Manager, who will then submit it to the I.T. Manager. He added that there is a possible need for increased automation in the building permit process and the Building Inspector needs to be encouraged to search for a suitable system.

Ms. Connery noted that the Building Permit Form is not that time consuming for the Building Inspector that it is probably not necessary to spend an excessive amount of money on the computer program.

Mr. Rossi continued with his report on the item of focus for calendar year 2012, which was to examine a sample of capital assets and verify the existence of those assets. He commented that in all of his years and experience in auditing, he has never met a more cooperative management staff than the ones that are currently employed at the Town. He stated that auditors are usually not welcomed when they ask to perform an audit, but the staff at the Town is happy to provide him with what he asks for and more. They willingly showed him around, volunteered information, and were overall very helpful. He noted that during his examination of town fixed assets, he found everything to be in good order.

#### *Questions by the Committee Members*

Mr. Sheplee noted that on February 29<sup>th</sup>, 2012 Mr. Rossi reviewed the procedure for pay stations, and asked him to review this process with the Committee.

Mr. Rossi noted the payment options of the pay stations, and explained that he examines these procedures and reviews the transactions. Ms. Connery added that parking has the most amount of cash, but the amount is decreasing as more people are paying by credit card. She noted that over sixty percent (60%) of hourly parking fees are now paid by credit card, but cash is still frequently used for payment of parking tickets during the summer.

Mr. Sheplee asked Mr. Rossi if he is completely comfortable with the procedures and controls of parking, and Mr. Rossi replied that he absolutely comfortable with it.

Mr. Sheplee questioned how many petty cash funds there are. Ms. Connery responded that there is one petty cash fund in the finance department and there are two (2) Change Funds, one in the reception office and the other in the Police Department. She explained that she counts the balances every year and Mr. Rossi also checks on them. The Police Department doesn't use money from their Change Fund often, but it is there just in case it is needed

Mr. Sheplee mentioned that it is a testament to the Town that it has such complete procedures and internal controls, that employees are following those procedures and that the Town has an Internal Auditor actively reviewing the procedures.

Mr. Defibaugh asked if there has ever been a time where the procedures weren't being followed, and Mr. Rossi said that he has not come across any significant issues.

Mr. Defibaugh questioned if Mr. Rossi is able to review the accounts electronically. Ms. Connery explained that she prints Mr. Rossi the Check Summary Report each month so he is able to review them. Mr. Rossi added that he highlights transactions that seem unfamiliar and then reviews them.

Mr. Defibaugh asked Mr. Rossi if he monitors the Town credit cards that are used by the Town employees to purchase items for the Town. Mr. Rossi explained that he reviews the credit card transaction statements, and that they are mainly used for gas for the Town vehicles and items for committee meetings.

Mayor McClenny noted that he and the Treasurer, Jerry Dorfman, review the check statements on a weekly basis, in addition to Mr. Rossi, Ms. Connery, and Town Manager, Mr. Graviet. There have been a couple times when he has questioned a transaction that looks unfamiliar, and he has always received the proper paperwork that shows what was purchased.

Mr. Sheplee emphasized to Mr. Rossi that his position an Internal Auditor is very important for the Town, and expressed his appreciation to him for all of his work. He added that it is also beneficial for the Town to have external auditors.

#### Review and Discuss the Internal Audit Plan for Calendar Year 2013

Mr. Rossi explained that the Audit Plan for 2013 is the same as 2012.

Mr. Sheplee asked the Committee and audience for any suggestions for changes they may have to the Internal Audit Plan. There were no suggestions, and Mr. Sheplee stated that the plan currently seems thorough and informative.

Mr. Sheplee asked the Committee members if they have any ideas for a specific focus for calendar year 2013. The Committee members had no suggestions, so Mr. Sheplee asked that this be left open for the time being and said that the Committee can address items to be reviewed at a later time.

#### *Other Discussion*

Mr. Sheplee stated that one item on the Audit Committee's purpose statement is the selection of the Town's external auditor, and he asked Ms. Connery to review the process of hiring the external auditing firm. Ms. Connery explained that when she first began her employment for the Town, an expensive auditing firm was under contract with the Town. In 2004 when the contract expired, the Town sent out bids to fifty (50) different auditing firms, and only two (2) firms responded, and the TGM Group LLC was selected to be employed by the Town.

Mr. Sheplee emphasized that even though the Town has been very satisfied with the work of the current auditing firm, it is necessary to occasionally review other options.

Mr. Sheplee made a motion to recommend to Town Council to retain the TGM Group LLC with the Town for FY 2013 with a similar price, and to consider soliciting bids for an external auditing firm for the year ending March 2014. Mr. Wisbrock seconded the motion and it was unanimously approved.

#### Adjourn

Mr. Defibaugh made a motion to adjourn the meeting. The motion was seconded by Mr. Wisbrock and unanimously approved. The meeting was adjourned at 12:15 p.m.